



March 4, 2013

Co-Chair John W. Fonfara
Co-Chair Patricia M. Widlitz
Senator Scott L. Frantz
Representative Sean J. Williams

Finance, Revenue and Bonding Committee:

We are submitting testimony on **section 18 of S.B. 843**, AN ACT CONCERNING REVENUE ITEMS TO IMPLEMENT THE GOVERNOR'S BUDGET.

The Connecticut Energy Marketers Association (CEMA) [formerly the Independent Connecticut Petroleum Association (ICPA)] represents 576 petroleum marketers, principally made up of home heating oil dealers and gasoline distributors, located in Connecticut. CEMA members employ over 13,000 people in our state.

The language in section 18 of S.B. 843 would allow natural gas utilities to provide customers that are more than 150 feet off of a gas main a \$500 credit on their bill to commit to switch fuels. The source of funding for this fuel switching incentive program is \$5 million per year, and comes as a credit against the utilities gross earnings tax payments.

CEMA recommends that language in section 18 be amended to remove incentives for switching fuels and provide tax credits for consumers to upgrade to high efficiency heating equipment for all fuel types.

Our industry has been told that the state is not picking "winners and losers", but this tax credit does exactly that. Incentivizing conversions to natural gas through \$500 credit on a customer utility bill, and not offering equal treatment for heating oil, propane and other fuels is the definition of picking winners and losers.

The fact is, no one can predict energy prices and incentivizing fuel switching in an attempt to save consumers money is pure speculation. The only proven method to save consumer money on their energy bill is through conservation.

Policies that lead consumers to make decisions to switch fuels with the promise that they will save money in the future are risky at best. The government should not be in the business of making bets on energy markets. Without any

government program the heating oil industry has reduced the average homeowners' consumption from 1,300 gallons per year to just over 800 gallons.

Conservation is the only proven method of reducing energy costs – NOT conversion. From 1980 through 1982 natural gas prices were less expensive than heating oil, followed by 24 years with heating oil being less expensive than natural gas.

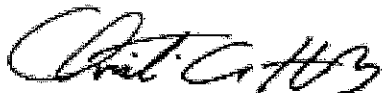
If there was a CES in 1982 that had a goal of switching 300,000 consumers to natural gas, it would have been a disaster for the next 24 years. Theoretically, if consumers in the early 1980's received an incentive similar to the one in section 18 of S.B. 843, they would have been lead to fuel that would have been more expensive for quarter of a decade.

Our industry appreciates the sentiment that the state would like to provide "choices" to consumers. We also understand that the language in section 18 attempts to do that by getting consumers to commit to converting to gas so that the utilities can figure out where to expand their gas lines. But there is a good reason why gas lines are not in many neighborhoods – the utilities made a choice to NOT expand.

If natural gas utilities are not willing to invest their shareholders money to expand their market, then the state should not do it for them. NU/NSTAR has a value of \$17.5 billion, they do not need \$5 million in tax credits to offer prospective customers an incentive to switch to gas. They can do it themselves by issuing stock, borrowing or using their profits. With the fiscal state of Connecticut's budget, the \$5 million can be better used to support vital programs and services, not billion dollar utilities.

We ask is that the state keeps its promise to not pick winners and losers, and to rely on the only proven method to save money on energy – conserve it! **CEMA asks that the Finance, Revenue and Bonding Committee to amend the language in section 18 of S.B. 843 to allow for fuel neutral energy efficiency upgrades to heating systems.**

Respectfully,

A handwritten signature in black ink, appearing to read "Christian A. Herb".

Christian A. Herb
Vice President